

JLARC to review a sales and use tax exemption for establishing and operating anaerobic digesters



Anaerobic digestion is a process where bacteria is used to break down organic matter, such as manure or food waste, in an oxygen-free setting.

This digestion process generates biogas and other usable byproducts. The biogas can be used to produce electricity, heat, and, if further processed and refined, transportation fuel, such as renewable natural gas. The other byproducts include animal bedding and compost.

The 2006 Legislature directed JLARC staff to conduct performance audits of tax preferences. This preference is included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

The Legislature established a sales and use tax exemption in 2001 for dairy farmers who build or purchase equipment used to operate an anaerobic digester. In 2006, the preference was extended to non-dairy animal feeding operations.

The 2018 Legislature stated its intent to increase production of biogas that yields renewable natural gas

In 2018, the Legislature passed broader legislation designed to stimulate investment in renewable resources, including renewable natural gas for heating, electricity, and transportation fuel. The legislation expanded the original 2001 preference to digesters that use other organic materials, such as food waste or wastewater, to produce biogas and additional marketable products. The preference is set to expire January 1, 2029.

The 2018 legislation directed JLARC staff to evaluate the number of anaerobic digesters that produce renewable natural gas in Washington, and the extent to which owners of digesters are using the preference. The review will address the following questions:

Stated objective	Study question
Stimulate investment in capturing biogas, recovering nutrients, and generating renewable natural gas for heat, electricity, and transportation.	<ol style="list-style-type: none"> 1) To what extent has the preference stimulated investment in anaerobic digesters, and in particular, those that produce renewable natural gas? 2) What are other barriers and incentives to using anaerobic digesters to produce renewable natural gas? Does the preference address these barriers and how does it compare to other available incentives?

JLARC staff are also reviewing a sales and use tax exemption for equipment used in livestock nutrient management in 2020.

Study Timeframe

Preliminary Report: July 2020

Proposed Final Report: December 2020

Study Team

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JLARC Study Process

